



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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November 2, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
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Supervisor Don Knabe  
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From: William T Fujioka  
Chief Executive Officer

## SACRAMENTO UPDATE

### Assembly Health Committee Informational Hearing on Health Care Reform

On Wednesday, October 31, 2007, the Assembly Health Committee held an informational hearing on the Governor's revised health care reform proposal. Speaker Fabian Nuñez told committee members that he did not want the hearing to be about "carving up" the Governor's plan, and asked the committee to focus on closing the differences between the recently vetoed AB 8 (Nuñez/Perata) and the Governor's revised proposal. The Speaker also noted that while many improvements were made since the Governor's January proposal, concerns still remain, such as affordability and leasing the State Lottery to fund health care.

The Administration, along with numerous stakeholders, including representatives from business, labor, hospitals, consumers, and providers testified at the hearing. Carol Meyer from the County's Department of Health Services testified that the County strongly supports the passage of health care reform, and acknowledged that the County understands that it will have to operate a changed health system under the reform proposal. Ms. Meyer expressed the County's five key critical issues that must be addressed as part of health care reform including: 1) Medi-Cal rates that reflect the full cost of care; 2) move childless adults into Medi-Cal through a coverage program designed by counties; 3) provide share of cost guarantees; 4) provide payments for expensive life-saving care; and 5) provide consumers financial incentives to use local initiatives.

Health and Human Services Secretary Kimberly Belshe provided an overview of the Governor's revised plan, and recognized that the proposal was revised to address some of the concerns raised by stakeholders, especially with respect to affordability. While the Governor's proposal provides no cost coverage for those earning up to 150 percent of the Federal Poverty Level (FPL) and a tax credit for families earning between 250 percent and 350 percent of the FPL, many members expressed skepticism about low and moderate income families' ability to afford coverage. Secretary Belshe cautioned members that broadening subsidies further would have a negative impact on the State Budget, and could prompt employers to drop health coverage for their employees. She also emphasized that an individual mandate is necessary to meet the Governor's goal to cover all Californians. Members also were concerned about the financial stability of public hospitals in a new health care environment. Secretary Belshe stated the public hospitals are important to the health care delivery system because they provide bed capacity, specialty services, and training for medical personnel statewide, including interns and residents.

The Legislative Analyst Office (LAO) staff testified that the revised plan still poses a number of obstacles for the State such as: 1) potential legal battles relating to Federal law governing employer health benefit plans; 2) the need for Federal waivers and approvals for children's health funding which remains uncertain at the Federal level; and 3) the risk for increased health care expenditures that would grow faster than revenue because of the proposed shift to use lottery revenue. Further, the Administration proposes backfilling education's loss of \$1 billion in lottery revenues by increasing Proposition 98 funding by a like amount. Given the State's looming deficit of at least \$6.1 billion in FY 2008-09, this proposal would worsen the State's overall budget situation.

Representatives from the California State Association of Counties (CSAC) and the California Association of Public Hospitals (CAPH) and Health Systems testified that they support health care reform, but are concerned with: 1) Medi-Cal rates paid to public hospitals versus the actual costs of providing care; 2) expansion of coverage to childless adults; and 3) a county share of cost. CSAC and CAPH stated that any county share of cost must recognize remaining county responsibilities and ensure that sufficient funding is available to cover the population who will remain uncovered or ineligible, as well as for those who will need mental health and/or substance abuse treatment which would not be covered under the State's plan.

Finally, a representative for the Services Employees International Union (SEIU) testified that SEIU remains committed to changing California's broken health care system, but it does not believe that the Governor's plan offers affordability for their low and moderate income members, and expressed that SEIU cannot support a proposal that provides "an illusion of coverage." The SEIU representative also noted that the proposal does not

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address health coverage for In-Home Supportive Services providers which was a component in Speaker Nuñez' AB 8.

The Assembly Health Committee is expected to meet on Wednesday, November 14, 2007 to further discuss health care reform.

We will continue to keep you advised.

WTF:GK  
MAL:IGA:hg

c: All Department Heads  
Legislative Strategist  
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City Managers Associations  
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